

## Management Reforms

### *Management Reforms*

*Budget and Performance Integration: Including Compensation and Pension Claims Processing, Hepatitis C, Capital Asst Realignment for Enhanced Services (CARES)*

*Strategic Management of Human Capital*

*Competitive Sourcing*

*Improving Financial Performance*

*Expanding Electronic Government*

*Making Greater Use of Performance-Based Contracts*

*Expanding On-Line Procurement and E-commerce*

*Improving Coordination of VA and DoD Programs and Systems*

*Faith-based/Community*

## Budget and Performance Integration

The Department of Veterans Affairs has made significant progress in the integration of budget and performance during the past five years. Each year, the budget has presented better, higher quality performance information for all program activities. In our 2002 Performance Plan, we showed resource requirements (obligations) by program, and by strategic goal and objective. Because we do not yet have sophisticated financial tools, we can only approximate the costs at the present time. With this Performance Plan, we take the next step in improving the integration of budget and performance information by focusing on three important programs or activities as pilot projects in performance budgeting:

- Disability compensation claims processing
- Hepatitis C
- Medical care infrastructure reform through CARES

We will use the lessons learned from these three pilots to develop and implement a plan to incorporate performance budgeting principles for all other VA programs.

## Compensation and Pension Claims Processing

**Strategic Goal:** Restore the capability of disabled veterans to the greatest extent possible and improve the quality of their lives and that of their families.

**Secretary Priority:** Provide accurate decisions on compensation and pension rating-related claims within 100 days.

### Performance Goals

1. Complete rating-related actions on compensation and pension claims in an average of 165 days. *(This number is the average cumulative for the fiscal year. We expect to achieve 100 days processing time during the last quarter.)*
2. Attain an 88 percent national accuracy rate for core rating work.

### Description

Improving the quality and timeliness of claims processing is a Presidential priority. The Secretary of Veterans Affairs has set a goal of a monthly average of 100 days to process rating-related claims during the last quarter of FY 2003, while continuing to improve quality.

Over the last several years, VA has developed and implemented major initiatives, established cooperative ventures with other agencies, and used technology and training to address this issue. For example, to address the timeliness and claims processing backlog, the Secretary has launched a major

effort to resolve 81,000 of our oldest claims, ones that have been pending for more than a year. A key element of that effort involves a special team in Cleveland that will tackle many of these oldest claims over an 18-month period. Its first priority will be the long pending claims of veterans who are 70 years of age and older. The team will then be moving on to claims of other veterans who also have been waiting for a decision for more than a year. At the same time, VBA will be using the nine Resource Centers, designed to add processing capacity to each area of the country, to contribute to the goal of resolving these oldest claims. The team became fully operational in November 2001.

Accuracy of decision-making is also a top priority. Currently the accuracy rate for rating related workload is 72 percent, while non-rating related work is at 59 percent and fiduciary work is at 66 percent. We will improve timeliness without sacrificing accuracy.

For more information about our claims processing priority, see pages XX-XX.

**Resources:** \$848,767,000

## **Hepatitis C**

**Strategic Goal:** Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation.

**Secretary Priority:** Provide high quality health care that meets or exceeds community standards.

### **Performance Goals:**

1. Increase percent of patients evaluated for risk factors for hepatitis C to 61%.
2. Increase the percentage of all patients tested for hepatitis C subsequent to a positive hepatitis C risk factor screening to 65%.
3. Increase the percent of patients with hepatitis C who have annual assessment of liver function. (Performance goal to be determined.)

### **Discussion**

Hepatitis C is a major public health problem in the United States. The Centers for Disease Control and Prevention estimates that nearly 4 million Americans are infected with the hepatitis C virus, many of whom are unaware that they have been exposed. Approximately 30,000 new infections occur annually. Hepatitis C is a high priority for VA. Since 1998, VA has undertaken a program to identify, screen, test, and treat veterans for hepatitis C.

Since the beginning of 2001, VHA's Office of Public Health and Environmental Hazards has been responsible for coordination of VA's hepatitis C programs. This group has initiated activities including a comprehensive

review of data sources, creating a nationwide data registry, developing an informational brochure in cooperation with the American Liver Foundation, improving communications, fostering research, and taking other actions to enhance VA's capabilities to identify and treat veterans suffering from hepatitis C.

In February 2001, VHA published a directive on the National Hepatitis C Program that outlined VA's comprehensive approach emphasizing clinical care and prevention through testing, counseling, research, and education. Since then, the Public Health Strategic Health Care Group has hired a new National HIV/Hepatitis C Program Director and a National Clinical Coordinator. A Program Specialist for the National HIV/Hepatitis C Program office will soon be hired. Many additional initiatives have been undertaken, including the following:

***National Hepatitis C Screening and Testing Program:***

- VA has created the largest hepatitis C screening and testing program in the world. In FY 2001, VHA established that a baseline of 51% of patients had been evaluated for risk factors for hepatitis C.
- An Under Secretary for Health Information Letter was issued in June 2001 transmitting updated Hepatitis C Screening and Counseling Guidelines.
- A VA National Video Conference on Hepatitis C Screening and Testing was taped in August and is being broadcast three times nationally.

***Hepatitis C Communications:***

The Public Health Strategic Health Care Group has established multiple communications links with the field concerning VA hepatitis C programs. These include:

- Formation of a Hepatitis C Technical Advisory Group with 25 members and monthly conference calls.
- Establishment of a Hepatitis C Lead Clinician as a point of contact for hepatitis C care and issues in each VAMC.
- Creation of a Hepatitis C E-mail list of over 800 front-line providers.
- Establishment of a monthly Hepatitis C Hot Line call for front-line providers to use to address any issue or question about VA hepatitis C programs or care.
- Publishing of a regular VA Hepatitis C Newsletter.
- Renovation of VA's Hepatitis C Program website at [www.va.gov/hepatitisc](http://www.va.gov/hepatitisc).

### ***Hepatitis C Field Based Resource Centers:***

Four Hepatitis C Field Based Resource Centers were funded after a rigorous selection process in which twenty sites submitted applications. The goal of this program is to take advantage of field-based expertise to develop products and programs that will improve hepatitis C care in every facility. The centers will be funded beginning on Jan 1, 2002. The four centers will work closely with the central program office and with each other to produce programs and exportable products in the following areas:

- Hepatitis C Patient Education
- Hepatitis C Clinician Training and Skills Building
- Hepatitis C Prevention (primary and secondary) and
- VA Hepatitis C Models of Care and Best Practices

### **Hepatitis C Registry**

The Public Health Strategic Health Care Group is working with the Chief Information Office to create a new National Hepatitis C Registry. This will identify and track all veterans with hepatitis C who use the VA health care system. Once established, the Hepatitis C Registry will allow improved local patient care management, quality improvement analyses and programs, and system-wide program monitoring and management.

### **Performance Measurement**

VHA is aware of the need to establish and monitor goals for quality of care in hepatitis C. The hepatitis C program staff in this office has undertaken the task of implementing a plan that will meet all needs required to (1) provide hepatitis C screening and testing to any veteran who may be at risk; and (2) develop an appropriate hepatitis C risk prevention program. Two critical steps in meeting these goals are a comprehensive review of data sources and identification of areas for improving data collection and management, and a proposal to create a new nationwide electronic registry to improve data management.

Since no comprehensive system was in place to collect information about actual workload and costs associated with hepatitis C care, previous VHA projections about prevalence and treatment rates were based on incomplete data collection and on formulas that relied on untested assumptions. Although the assumptions had been adjudged reasonable and sensible, actual performance appears to have varied considerably from the projections. Although we have established appropriate performance measures and established numerical goals where sufficient baseline data exist, we expect to significantly refine our projections as data collection and management capacity improves

**Resources:** \$111,130,000

## **Capital Asset Realignment for Enhanced Services (CARES)**

**Strategic Goal:** Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation.

**Secretary Priority:** Apply sound business principles and ensure accountability for performance standards.

### **Performance Goal**

Attain a 30% cumulative reduction in excess capacity as a result of CARES. Total excess capacity will be identified by the CARES initiative.

### **Description**

The CARES program will assess veterans' health care needs across the country, identify delivery options to meet those needs in the future, and guide the realignment and allocation of capital assets to support the delivery of health care services. Through CARES, VA will optimize care delivery in terms of both quality and access.

In March 1999, the General Accounting Office (GAO) reported that the VHA could significantly reduce the funds used to operate and maintain its capital infrastructure by developing and implementing market-based plans for restructuring assets. In response to GAO's report and a subsequent congressional hearing, VHA initiated development of the CARES process.

Once CARES option(s) are finalized, two groups of initiatives will exist: one requiring little or no capital to implement, and a second, which may require significant capital investments. The CARES funds will enable VA to fund advance planning, design development, construction documents, and construction for major, minor and NRM capital initiatives stemming from the CARES recommendations.

A CARES Phase I (VISN 12) decision is anticipated by mid FY 2002, followed by the development of a formal Implementation Plan. Implementation will minimally be a five-year process. Subsequent phases and their associated schedules will be identified during FY 2002.

The efficiencies from CARES may generate significant savings, mostly from operational right sizing. Savings generated by CARES implementation will be reinvested into the provision of direct clinical health care service enhancements (quality, access and services to meet the underserved, unmet needs of eligible veterans). It should be noted that the CARES process would identify potential space for reduction only. It will not reduce the space VA is responsible for maintaining and operating, which can only be accomplished through a variety of investments by both VA and possibly third party investors.

VHA is developing a performance measure to monitor changes taking place in the capital infrastructure during the CARES process. This performance goal focuses on reducing space no longer required by the system.

**Resources:** \$40,000,000

## Strategic Management of Human Capital

**Enabling Goal:** Create an environment that fosters the delivery of *One VA* world-class service to veterans and their families by applying sound business principles that result in effective communication and management of people, technology, and governance.

**Secretary Priority:** Apply sound business principles and ensure accountability for performance standards.

### Performance Goal

The Department will develop workforce planning performance goals and measures as part of its Workforce Plan, to be completed in 2002, and as part of its Restructuring Plan, to be submitted with the 2003 budget.

### Discussion

As a result of an anticipated upswing in retirements, VA is facing a potentially major crisis within the next few years to ensure we can maintain a skilled workforce to meet the Department's needs across a variety of programs. For instance, by 2005:

- 98 percent of VHA senior executives will be eligible for early out and optional retirement.
- 88 percent of VHA GS-15's and 94 percent of GS-14's will be eligible for early out and optional retirement.
- 53 percent of NCA staff will be eligible for early out and optional retirement.
- Overall, 49 percent of the workforce will be eligible for early out and optional retirement.

Further, rapid changes in technology, an increasingly diverse labor pool, and different work expectations by younger workers are forces that strongly suggest new recruitment and retention practices must be adopted to meet program goals. Without addressing these changes in the workforce, the Department's ability to provide continued care to our nation's veterans is threatened. In order to remain competitive and become an employer of choice, the Department must design and deploy a process that will enable it to systematically consider all factors that bear upon its ability to develop a competent and diverse workforce capable of accomplishing the Department's mission.

To address this issue, VA is establishing a collaborative approach to design and implement a workforce planning strategy that ensures the Department has a competent and diverse workforce to serve veterans and their families, today and in the future. VA has made great strides in developing this workforce planning process since last year. For example, the Department has completed an initial workforce analysis, including demographic data and skill assessments.



Although VA has made substantial progress, additional work is still required. To fully implement an integrated workforce planning process, the Department is undertaking a number of new initiatives:

- Develop a Departmental Workforce and Succession Plan that will articulate VA's corporate vision for workforce planning and identify specific strategies to address the recruitment, retention, and development issues within the Department.
- Explore the use of emerging technologies and marketing techniques to recruit and hire a highly qualified and diverse workforce.
- Implement a workforce data reporting system to give VA leaders and analysts access to valuable information for workforce planning and human capital management purposes.
- Develop a comprehensive, strategic initiative to address workforce planning education for VA leaders.
- Identify an approach to workforce forecasting so managers not only have access to workforce data, but also can make reliable predictions about future behaviors based on past trends.

The overall goal of VA's workforce planning initiative is to create an ongoing process that is integrated with VA's strategic and budget planning cycles. Subsequently, VA can predict future workforce trends, thereby averting potential crises. The following discussion describes the Department's workforce restructuring activities and the workforce planning initiatives being implemented in each of the Administrations.

### **De-layering Management Levels to Streamline Organizations**

VA has made significant strides in reducing and de-layering management levels. The Department continues to lead the Federal Government in its supervisor to employee ratio. As of September 30, 2000, VA's supervisor to employee ratio was 1 to 11.9, while the Government-wide average was approximately 1 to 8. VA's ratio includes over 5,000 Title 38 physicians, nurses, and other health care professionals whose primary duties are to provide direct patient care, but who also have supervisory responsibilities. If Title 38 supervisors are excluded, the ratio of supervisors to employees is 1 to 17.1.

We have also decreased the number of senior executives and reduced grades GS-14/15 as part of the Department's senior level reduction plan. In addition, VA has established team leader/coach positions and developed team approaches to the management of substantive administrative and clinical programs.

In order to further our streamlining activities, VA chartered a task force in February 2001 to develop a 5-year workforce restructuring plan. This group of senior executives from across the Department is working with each VA

organization to develop a plan that will identify opportunities for additional de-layering, streamlining, and restructuring in order to continue VA's efforts to become more citizen-centered. Critical to the success of this effort will be the input and concurrence of the affected VA organizations.

De-layering can only be successful by ensuring that a strong focus remain on providing quality customer service to our Nation's veterans and their families, and being attentive to the concerns of our stakeholders such as Congressional oversight committees, veterans service organizations, and others.

### *Veterans Health Administration*

The Under Secretary for Health chartered two work groups specifically charged with workforce planning: the VHA Workforce Strategy Team and the VHA Steering Committee for Succession Planning. Both groups were chartered at the end of 2000 and assigned to develop plans by the middle of FY 2001. Stakeholders are reviewing the reports of both groups and work plans for implementation and deployment of the short- and long-term initiatives are in development.

The VHA Workforce Strategy Team was responsible for the development of a strategic plan that will enhance the quality of the VHA staff and will promote success in their jobs. The final report laid out a plan that:

- Assessed VHA's human resource management programs against Baldrige Criteria and identified actions that would bring VHA programs into compliance.
- Assigned responsibility to appropriate task forces and offices to develop, design, implement, modify, and/or eliminate programs to meet Baldrige Criteria and achieve or lead to achievement of the following goals:
  - Facilitate the recruitment and retention of a talented, committed workforce to enable VA to meet the needs of the veteran population in future years.
  - Improve the physical and psychosocial work environment of staff as measured by employee surveys.
  - Establish for employees an incentive system that promotes (including managers) outstanding service to veterans and accountability for VHA goal attainment.
  - Create a continuous employee-learning environment, based on VHA's High Performance Development Model.

The VHA Steering Committee for Succession Planning was charged with overseeing and coordinating the implementation of a comprehensive succession plan for VHA. The steering committee benchmarked private and public sector

organizations, assessed the current and future workforce of VHA, developed strategies and tactics to address the most critical issues, and developed policy and legislative recommendations that would assist in the administration's succession planning efforts. The plan is linked to the High Performance Development Model and includes features that address workforce assessment, definition of career tracks, identification of recruitment strategies, comprehensive leadership training, employee satisfaction, identification of inducements, and incentives and staff development activities, and ensures diversity is appropriately considered.

A deployment work group has been established to initiate and monitor the process of implementation of the recommendations of both work groups.

### *Veterans Benefits Administration*

Workforce planning has been a targeted focus of VBA for the past several years. Current initiatives that support this focus include:

- Development and implementation of a Human Resources Information System that is a data analysis tool for field and headquarters managers and analysts. This type of system will ensure one common data source for counts and trends of FTE, and events such as accessions, retirement predictions, etc. It will enable managers to have as much aggregate information about their employees as they do about their workload. Further, it will enable data-based workforce decisions.
- Development and implementation of a leadership competency system, to include valid behavioral statements, to support VBA's development of its leadership cadre at executive, division chief, and first-line levels. The system will form the basis of hiring, advancement, and development strategies for positions responsible for VBA's mission and workforce.
- Ongoing design and implementation of initiatives in business lines and staff offices related to new leadership and technical career paths. These initiatives will be based on future program and field needs and on competencies. Management has chartered several of these initiatives, and program and operations offices have taken initial steps.

### *National Cemetery Administration*

NCA has participated as a pilot organization in the VA Workforce Planning Project. In conjunction with the Office of Human Resources Management, NCA used VA's Workforce Planning Model and successfully established a base profile on workforce needs focusing on the cemetery directors. As a result, NCA has developed a plan to ensure that the organization has a cadre of fully trained and competent cemetery directors ready to lead NCA in the 21<sup>st</sup> century. NCA's accomplishments and future goals in this area include:

- ***Cemetery Director Intern Program:*** New position descriptions, competencies, training guides, new sites and mentors, on-site training, classroom training, and technical and leadership skill development have all been incorporated into the improved Cemetery Director Intern Program. The intern program vacancy announcement was posted and has closed. In order to ensure a cadre of cemetery directors for the future, NCA accepted applications for the GS-7, GS-9, and GS-11 levels. Over 140 applications were received and NCA selected six interns who began training in January 2002.

The trainee program will be announced periodically to permit for an established cadre of well-trained and competent individuals to fill positions as others retire or separate.

- ***Specialized Experience:*** NCA's analysis revealed that the definition of specialized experience necessary for qualification as a cemetery director or cemetery director intern was much too restrictive, resulting in a very limited pool of applicants. For example, it did not allow human resource specialists the opportunity to qualify the majority of recently retired military officers. As a result, NCA subject matter experts have modified the definition of specialized experience necessary for qualification as a cemetery director or cemetery director intern. Specifically, direct cemetery management experience was traditionally required in order to qualify for the position. The panel of subject matter experts reviewed the competencies and skills necessary for success and determined that a definition that focuses on leadership and managerial qualifications is a more appropriate indicator of the skills needed for the job. As a result, a candidate must now demonstrate experience in budget, finance, human resources, contracting, supervision, and procurement to qualify.

This change was implemented approximately two years ago for cemetery director positions. The number and quality of cemetery director candidates have improved dramatically. NCA management believes this is an indication of the quality of candidates received for the Cemetery Director Intern Program, as well.

- ***Future Actions:*** As a result of the success of the workforce planning pilot on the cemetery director positions, NCA will apply the process and lessons learned to other occupations in need of the same attention.

## Competitive Sourcing

**Enabling Goal:** Create an environment that fosters the delivery of *One VA* world-class service to veterans and their families by applying sound business principles that result in effective communication and management of people, technology, and governance.

**Secretary Priority:** Apply sound business principles and ensure accountability for performance standards.

### Performance Goal

Increase the cumulative total of competitive sourcing to 15 percent of commercial activities by the end of 2003.

### Discussion

In response to the OMB Directive M-01-15 on competitive sourcing, VA intends to support the administration's goals through a variety of approaches. VA has been actively pursuing several avenues over the last few years to improve both the efficiency and effectiveness of our operations.

OMB has issued guidance to the heads of agencies providing a competitive sourcing performance target for 2002. This performance target requires that agencies complete competitions, or directly convert to performance by the private sector, of not less than 5 percent of their Federal Activities Inventory Reform (FAIR) Act inventories of *commercial* activities performed by federal employees by the end of 2002, and increase that to 15 percent by the end of 2003. Commercial activities are ones that are operated by the Federal Government to provide goods or services that could be obtained from a commercial source in the private sector.

Over each of the past five years, VA as a whole has steadily increased its contractual services spending while decreasing the number of full-time employees within the Department. In addition, VA's 2001 FAIR Act inventory identifies approximately 85 percent of VA's workforce as being engaged in commercial activities. This is by far the highest percentage of a total agency workforce deemed to be commercial within the President's Cabinet.

VA utilizes competitive sourcing and the FAIR Act as part of its basic business management approach, which is predicated on VA's efforts to deliver timely and high-quality service to our Nation's veterans and their families. As part of its normal business operations, VA continuously assesses the demand for benefits and services from veterans and ensures that it has the capabilities to meet these needs. This market-based analysis often results in contracts for medical care and other services in specific geographical areas when it is determined to be more cost effective to obtain the services from the private sector than to hire doctors, nurses, cemetery maintenance workers, and other skill sets.

It should be noted that this approach does not focus on moving a certain arbitrarily established number of jobs from the public sector to the private sector -- but rather, on providing veterans and taxpayers the best value possible.

The Veterans Health Administration (VHA), which represents about 97 percent of VA's total commercial activities, has increased the amount of contract services to \$2.6 billion -- a 32 percent increase over the last five years. The estimated total VHA contract service expenditures equate to approximately 43,000 full-time employees. One of the key factors contributing to VHA's achievements in outsourcing is the transformation of the health care delivery approach, moving increasingly from inpatient to outpatient care and toward the use of community-based outpatient clinics (CBOCs) to improve access for veterans. For each CBOC opened, VA examines whether it is more cost effective to outsource or to operate each new facility with VA employees. VHA anticipates that continuing this approach will result in competitive sourcing exceeding 5 percent of its commercial activities in 2002.

A similar strategy has been applied when VA opens a new cemetery. The National Cemetery Administration (NCA) currently contracts 26 of 120 national cemeteries for full maintenance. For FY 2002, NCA will contract out an equivalent of 230 FTE in connection with the National Shrine Commitment. This competitive sourcing is an equivalent of approximately 20 percent of commercial activities with NCA.

The Veterans Benefits Administration (VBA) is currently conducting a comprehensive A-76 study that is examining the property management function. This study involves a competitive sourcing of close to 9 percent of VBA's identified commercial activities. VBA will complete this study in 2002.

We are committed to continuing this current approach of strategically identifying opportunities for competitive sourcing. The Deputy Secretary charged the Office of Policy and Planning with establishing and coordinating a working group to develop a more streamlined VA competitive sourcing process. The working group identified areas of opportunity for future competitive sourcing and developed a tracking system to assess progress and outcomes. The working group has also developed a proposed 3-tier streamlined process, with more focus on cost-benefit analysis and less focus on solicitation to make the management decision about whether to contract out or retain in-house. The proposed tracking system will enable VA to document competitive sourcing decisions in support of providing timely and high-quality service to our Nation's veterans and their families.

## Improving Financial Performance

**Enabling Goal:** Create an environment that fosters the delivery of *One VA* world-class service to veterans and their families by applying sound business principles that result in effective communication and management of people, technology, and governance.

**Secretary Priority:** Apply sound business principles and ensure accountability for performance standards.

### Discussion

An important element of the President's management agenda is the improvement of financial performance through reduction of erroneous payments. VA has four programs that make benefits payments of over \$2 billion to veterans and their survivors. The compensation, dependency and indemnity compensation, and pension programs are presented together because they are administered collectively. The insurance program is presented separately.

### Compensation, Dependency and Indemnity Compensation, and Pension

**Performance Goal:** Reduce dollar value of overpayments to \$290 million.

Erroneous payments under these programs are payments made to ineligible beneficiaries or payments that were made for an incorrect amount. The causes of erroneous payments include procedural or administrative errors during claims processing, or fraud on the part of employees, beneficiaries, or claimants.

### *Erroneous Payment Data*

Approximately 1.5 percent of payments for these programs are erroneous. During 1999, overpayments amounted to \$314 million, and increased during 2000 to \$417 million of \$22 billion of benefits payments. We estimate that overpayments for 2001 will be \$333 million and \$310 million during 2002. For erroneous payment purposes, VBA does not distinguish among the three programs and does not know specific reasons for erroneous payments.

### *Assessment and Action Plan*

The Office of Inspector General identified five elements to the improper benefits payment challenge: dual compensation of VA beneficiaries (drill pay), incarcerated veterans, payment to deceased beneficiaries, overpayments due to unreported beneficiary income, and risks due to internal control weaknesses.

- *Dual Compensation of VA Beneficiaries (Drill Pay)*: We have been coordinating the receipt of drill pay information with the Defense Manpower Data Center (DMDC) since late 1999. However, the information received by VA was found to be inaccurate. DMDC and Defense Finance and Accounting Service (DFAS) worked together to identify the problems in the reporting. In June of 2001, DMDC indicated that they had been successful in identifying and

correcting the errors; however, they cannot provide accurate data on drill days prior to FY 2001. We expect to begin the matching program again using the FY 2001 information during FY 2002.

- *Incarcerated Veterans*: VA signed a Memorandum of Understanding with the Social Security Administration (SSA) that will allow us to receive their state and local prisoner files for a matching program. Once the data exchange from SSA is secured, the existing procedures used for the Federal Bureau of Prisons (FBOP) will apply. The system to identify and adjust benefits will be identical to the existing system used for FBOP. Both the FBOP and SSA prison matches will continue as ongoing processes.
- *Payment to Deceased Beneficiaries*: As part of the continuing commitment to reducing erroneous payments to deceased beneficiaries, the Compensation and Pension Service (C&P) has taken measures to install safeguards in our payment system. One such precaution provides for a message to be displayed when a date of death over one year is entered into the system. Additionally, in November 1999, a project was installed to provide for termination of master records effective the first of the month of death even if the date of death is more than one year in the past. To address long term concerns regarding this issue, VBA's Data Management Office (DMO) now runs a quarterly match between the Beneficiary Identification and Records Locator System (BIRLS) and the master record to identify those records with a date of death in one system, but not in the other.
- *Benefit Overpayments Due to Unreported Beneficiary Income*: VBA has implemented the following OIG recommendations: (i) completed a recent review of 100 income verification match (IVM) cases as part of our increased program oversight; (ii) eliminated the review of selected pension cases because they result in no benefit overpayment recoveries; (iii) eliminated review of IVM cases with income discrepancy amounts of less than \$500 because they result in little or no benefits overpayment recoveries; and (iv) reported the IVM for consideration as an Internal High Priority Area that needs monitoring.

We are currently working on a project initiation request intended to address the lack of complete necessary data validation of beneficiary identifier information contained in C&P master records to reduce the number of unmatched records with SSA.

- *Overpayment Risks Due to Internal Control Weaknesses*: In the past two years, the Compensation and Pension Service has been developing procedures to augment its internal controls in the area of erroneous payments. We have continued to focus on this area because of recent findings of erroneous and fraudulent payments. We will develop specific measures to pinpoint the amount of overpayments in each program area (Compensation, Pension, DIC)



and determine the nature and causes of the overpayments. With this information, we will then create additional mechanisms to reduce overpayments in these particular areas.

### **Insurance Programs**

**Performance Goal:** Maintain accuracy of disbursements at 99 percent.

#### ***Erroneous Payment Data***

The VA has maintained an erroneous payment rate for insurance programs of less than one percent since 1999, and we expect that rate to continue through 2003.

#### ***Assessment and Action Plans***

Paying the proper policyholder or beneficiary has long been a top priority of the insurance program officials. In 1992, we established an Internal Control Unit, which is the primary control point for all of our processes involving payments to policyholders and beneficiaries. It augments our traditional management controls, such as, internal system edits, supervision, performance reviews and quality control reviews. One of the main functions of this unit is to monitor, review and approve 100 percent of all manual insurance disbursements. Manual insurance payments include insurance awards to beneficiaries, as well as loans and cash surrenders and premium refunds to policyholders. This unit also reviews a variety of computer matching programs and performs random post payment reviews to attest to the accuracy of computer-generated payments, such as annual dividend payments. In addition, the OIG has thoroughly reviewed this area annually for the past several years. The last review by the OIG was performed during 1999; no material weaknesses were reported.

We believe the insurance program has effective safeguards installed, designed to prevent erroneous or fraudulent payments wherever possible. One test of the effectiveness of these safeguards would be the number of erroneous payments made to beneficiaries during fiscal year 2001. In fiscal year 2001, only 144, or .007% of over 2.2 million total payments made, were erroneous.

## Expanding Electronic Government

**Enabling Goal:** Create an environment that fosters the delivery of *One VA* world-class service to veterans and their families by applying sound business principles that result in effective communication and management of people, technology, and governance.

**Secretary Priority:** Apply sound business principles and ensure accountability for performance standards.

### Performance Goal

By the end of 2003, 100% of VA's high-priority transactions and applications will be electronically available.

### Discussion

The Office of Information and Technology and the IT Board approved the establishment of two committees to promote the expansion of electronic government. The Electronic VA (EVA) Committee provides the guidance and direction on how VA administrations and staff offices will deploy and use information technology to serve veterans and other key stakeholders. Under the auspices of the EVA, the Electronic Government Subcommittee was established to ensure there is a coordinated view across the Department regarding electronic government-related issues. The Subcommittee will make agency recommendations on future project developments and suggested redesign strategies. The Section 508 Advisory Committee identifies and provides recommendations on Web accessibility and other Electronic and Information Technology (EIT) accessibility issues to ensure reasonable accommodations for individuals with disabilities.

VA is actively working on the development of a corporate enterprise architecture in which all electronic service requirements and initiatives will be incorporated, and has drafted an enterprise-wide plan that provides a strategy for VA's compliance with the Government Paperwork Elimination Act (GPEA) of 1998. The private sector is assisting VA in conducting risk assessments, preparing cost benefit analyses and developing short and long-term risk mitigation plans. This assistance also includes the development of a strategy on how VA will transform its manual information collection process to conform to the requirements of GPEA and VA's overall strategic mission.

The Department's Internet site is a major medium through which VA reaches its millions of customers--veterans and their families--who live across the country and around the world; to that end, VA completed several key milestones.

- In December 2000, VA acquired contractor services to conduct an assessment of its current activities to deal with customers electronically and to provide recommendations on how the Department should implement GPEA.
- In July 2001, a GPEA assessment and implementation plan was distributed for review and comment to those VA officials responsible for forms, records management and business operations. Implementing GPEA within the Department will facilitate the improvement of public access to VA services.
- In March 2001, VA issued a Department-wide directive covering the full range of Internet and web policies and procedures. The directive was developed to guide the deployment and use of Internet technology by VA organizations, employees, contractors, and customers.
- Since January 1999, approximately 350 user certificates and 10 server certificates have been used through VA's Public Key Infrastructure Project. Those certifications are intended for use by VA employees or contractors to provide secure communications and transactions for internal VA business procedures.
- By June 2001, VA completed its evaluation of over 124 web pages to ensure that they were accessible to people with disabilities. VA continues to define areas for improvement to support reasonable access to Electronic and Information Technology (EIT) for people with disabilities.

Some of the existing VA electronic system development projects are the Veterans Health Information System Technology Architecture, Web Automated Verification Enrollment, VA Online Application and VA NET Certification.

## **Making Greater Use of Performance-based Contracts**

**Enabling Goal:** Create an environment that fosters the delivery of *One VA* world-class service to veterans and their families by applying sound business principles that result in effective communication and management of people, technology, and governance.

**Secretary Priority:** Apply sound business principles and ensure accountability for performance standards.

### **Performance Goal**

Award contracts over \$25,000 using performance-based contracting for not less than 30 percent of the total eligible service contracting dollars for FY 2003.

### **Discussion**

This management reform strives to convert service contracts that are awarded and administered using traditional specifications into an acquisition process that utilizes performance-based contracting. The use of performance-based contracts permits the Government to receive an enhanced level of service at a reduction in overall costs. This enhancement occurs as the result of increasing the flexibility of the contractor to perform the work, while reducing the administrative costs of operating such contracts.

VA has made progress in terms of converting existing and new service contracts at both the field station and national contract levels into performance-based contracts. In addition, the Department demonstrates continued support for performance-based contracting by providing ongoing continuing education on this subject to its contracting officers and allied acquisition professionals.

To more fully monitor the Department's level of success in converting to this performance-based contract approach, a cyclical reporting mechanism has been established through the Federal Procurement Data System (FPDS). Through this FPDS process, beginning with 2001, the Department will be able to analyze the types of conversions, the dollars obligated, and the level of conversion to performance-based contracts.

## Expanding On-line Procurement and E-commerce

**Enabling Goal:** Create an environment that fosters the delivery of *One VA* world-class service to veterans and their families by applying sound business principles that result in effective communication and management of people, technology, and governance.

**Secretary Priority:** Apply sound business principles and ensure accountability for performance awards.

### Performance Goals

1. Increase the number of Federal Supply Schedule (FSS) contractors' product information available on-line to 300,000 items.
2. Increase the use of EC/EDI by 110 percent over the base year of 1997.
3. Post 100 percent of the synopses for acquisitions valued at over \$25,000 for which widespread notice is required and all associated solicitations, unless covered by an exemption in the Federal Acquisition Regulation, on the government-wide point of entry Web site ([www.FedBizOpps.com](http://www.FedBizOpps.com)).

### Discussion

VA's Office of Acquisition and Materiel Management (OA&MM) has formed an alliance with the General Services Administration (GSA) to maintain product data in GSA's on-line electronic ordering system, *GSA Advantage!* Today, the VA/GSA partnership makes it possible for VA medical centers and other Government agencies to shop and order health care products and services via the Internet. As of July 20, 2001, VA had all 984 FSS contractors listed and 72 FSS contractors have 52,141 line items on-line at the *GSA Advantage!* Web store. Future plans include the addition of more FSS contractors catalogs and a broader selection of items that will make *GSA Advantage!* and FSS a primary source for fulfilling buyers' procurement needs. OA&MM has also developed applications to post contract solicitations on the Web and to generate purchase orders to vendors utilizing the 850 Electronic Data Interchange (EDI) transaction set. OA&MM has initiated evaluations of electronic reverse auction capabilities. During FY 2001, the National Acquisition Center conducted several reverse auctions on items being purchased. There will be additional tests and the results will be evaluated during FY 2002 with policies being written during FY 2002 and 2003.

VA is in the midst of advancing the configuration and testing of an enterprise resource planning (ERP) information solution, which will enhance and enable significant improvements in VA's e-commerce and e-procurement capabilities. This enterprise level financial and logistics information solution is scheduled to be deployed during 2003 and 2004. The deliverables associated with VA's financial and logistics initiative (designated as "coreFLS") will include

deployment of a fully integrated Web-based information solution that will create the opportunity for VA to accommodate a broad based set of on-line procurement and e-commerce applications. In the area of e-contracting, reform will include the expansion and proliferation of processing standards in the development of contract solicitations, contract milestone tracking, electronic solicitation and task order posting, near real-time receipt of electronic offers and proposals from the vendor community, automated contract award, knowledge-based contract management, and the generation and maintenance of electronic vendor and other catalogs. VA on-line procurement and e-commerce initiatives in the e-procurement arena will include expanded interaction and use of electronic shopping malls, portals, data warehousing, and data mining to support procurement and acquisition business analysis, planning, and development. This information solution will also be designed to support strategic, functional, and operational information management at every level of VA. With the development and implementation of this information solution, the realization of a truly dynamic on-line procurement capability that will accommodate, change, and innovate with minimal difficulty is possible.

## **Improving Coordination of VA and DoD Programs and Systems**

**Strategic Goal:** Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation.

**Secretary Priority:** Provide high quality health care that meets or exceeds community standards.

### **Performance Goal**

Increase the number and dollar volume of sharing agreements by 10% over previous year (Baseline=FY 2000) including Non-DOD Agreements by Number, Dollars Purchased, and Dollars Sold and DoD Agreements (including Tricare) by number and revenue.

### **Discussion**

Improving coordination of VA and DoD programs and systems is an important aspect of this performance goal. For example, as part of President Bush's management agenda, the President has directed VA and DoD to better coordinate benefits, services, information, and infrastructure to ensure the highest quality of health care and efficient use of resources. VA is committed to strengthening the cooperative relationship we have with DoD.

Executive leadership from VA and DoD have been meeting for several years to improve and expand sharing. As a result, there are many outstanding examples of national cooperation. We have made progress in the joint development of clinical practice guidelines. The two Departments have taken leadership roles in the promotion of patient safety. We have combined the military's discharge physical with VA's disability compensation examination for those service members applying for VA compensation benefits. We are also pursuing several joint medical technology assessment initiatives.

The VA/DoD Executive Council, co-chaired by VA's Under Secretary for Health and DoD's Assistant Secretary for Health Affairs, was recently reinvigorated. In addition to ongoing collaboration in the areas mentioned above, VA and DoD have initiated new working groups to look at improving cooperation in the areas of financial management, benefits policy, geriatrics, and facility utilization and resource sharing. We will have some of our top clinical and policy experts reviewing our current interaction and recommending changes.

The two Departments have made substantial progress to increase their joint procurement activities. The foundation for this progress was established in December 1999 when VA and DoD agreed to a Memorandum of Agreement (MOA) to combine their purchasing power to eliminate redundancies. As of May 18, 2001, there were 42 joint VA/DoD contracts for pharmaceuticals. The total estimated cost savings during FY 2000 for both

Departments from these contracts was \$42.5 million (\$30.8 million for VA and \$11.7 million for DoD). An additional eight contracts have been awarded with discounts off the lowest VA Federal Supply Schedule (FSS) price ranging from 0.19 percent to 53.75 percent so far during FY 2001.

The next major phase of the MOA implementation is underway. VA and DoD will convert DoD's Distribution and Purchasing Agreements to FSS for medical/surgical products. The Veterans Health Administration's Office of Logistics is working with the VA National Acquisition Center and DoD counterparts to facilitate shared acquisition strategies through product standardization committees.

In May 2001, the President established a task force to improve health care delivery to our Nation's veterans through better coordination between VA and DoD. The mission of the task force is to:

- identify ways to improve benefits and services for DoD military retirees who are also beneficiaries of VA through better coordination of the activities of the two Departments;
- review barriers and challenges that impede VA and DoD coordination, including budgeting processes, timely billing, cost accounting, information technology, and reimbursement;
- identify opportunities for improved resource utilization through partnership to maximize the use of resources and infrastructure.



## Faith-Based and Community Initiatives

**Strategic Goal:** Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation.

**Secretary's Priority:** Provide high-quality health care that meets or exceeds community standards.

**Performance Goal:** The Task Force will develop performance goals and measures for this initiative. Therefore, there is no FY 2003 performance measure at this time.

**Discussion:** On January 29, 2001, President Bush signed two executive orders establishing Federal offices to promote his faith-based and community organizations initiatives. One of the orders created an Office of Faith-Based and Community Initiatives in the White House to take the lead in enhancing current efforts and promoting the government's efforts to partner with faith-based and community organizations. His second order established a Center for Faith-Based and Community Initiatives in five federal agencies. That order did not include VA; however, the Department established a Task Force to assess current programs and activities, identify barriers and initiate actions to allow full participation by faith-based and community organizations.

The Office of Public and Intergovernmental Affairs (OPIA) has been assigned the oversight and coordination role for this Task Force and the Director, Office of Homeless Veterans Programs, will serve as the Department's point of contact. The Office of Homeless Veterans Programs and the entire VA have a long tradition of working closely with faith-based and community organizations. There are a number of areas where VA programs may provide an opportunity for increased participation by faith-based and community organizations. The Task Force is charged with reviewing each of these programmatic areas.

The VA Task Force will work to:

- Audit our existing policies and practices Department-wide;
- Identify existing barriers to participation by faith-based and other community organizations in providing the delivery of social services;
- Coordinate Department effort to incorporate faith-based organizations in departmental efforts and initiatives;
- Propose initiatives to remove barriers;
- Propose pilot programs to increase participation of faith-based organizations;

Develop and coordinate Department outreach efforts to disseminate information to faith-based organizations with respect to programming changes, contracting opportunities, and other initiatives (including Internet).